



LYNDON B. JOHNSON SCHOOL OF PUBLIC AFFAIRS

THE UNIVERSITY OF TEXAS AT AUSTIN

P.O. Box Y • Austin, Texas 78713-8925 • (512) 471-4962 • FAX (512) 471-1835

August 14, 2006

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Regarding: Docket No. R-1262 released for public comment August 14, 2006, a proposal to change the regulations under which the Board of Governors may exempt a bank from reserve requirements to be determined "on a case by case basis"

Relief for banker's banks that provide valuable services for many small banks should not be impaired by removing specificity in the regulations that allow an exemption from reserve requirements. Nor should the door be left open for unequal treatment of other banks by failure to specify the regulations the Board is following to grant exemptions from reserve requirements.

The following statement of the proposed change in regulations to be followed by the Board lacks specificity and contradicts Section 722 of the Gramm-Leach-Bliley Act of 1999, which the Board cites in the same proposal, that requires "Plain Language."

**"The Board is not proposing at this time to specify any standards under which it would make such case by case determinations in order to provide institutions and the Board with flexibility in making such determinations, in keeping with the purposes of the Act and the bankers' bank exemption."**(p. 4)

In plain language the Board is proposing to do whatever it wants to do given its view of the purposes of the Act [19(b) of the Federal Reserve Act].

This clearly gives the Board such broad limits that there can be little Congressional oversight of its compliance with its own regulations that would allow it to grant valuable benefits.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert D. Auerbach", written over a horizontal line.

Robert D. Auerbach  
Professor of Public Affairs